

Message Text

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ORIGIN EUR-03

INFO OCT-01 ISO-00 ONY-00 /004 R

DRAFTED BY EUR/EE:JSEYMOUR
APPROVED BY EUR/EE:HGILMORE
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C O N F I D E N T I A L STATE 217327

FOR THE AMBASSADOR FROM SCHMIDT

E.O. 11652: XGDS-3

TAGS: OGEN

SUBJECT: OFFICIAL-INFORMAL

1. YOU WILL HAVE SEPARATELY THE PRESS GUIDANCE PREPARED FOR POSSIBLE USE AT THE NOON BRIEFING ON THE QUESTION OF THE CIA PAPER ON POLAND. IT WAS PREPARED AFTER DISCUSSION WITH REPRESENTATIVES FROM COMMERCE, TREASURY, EXIM, AND NSC. THE SEVENTH FLOOR, HOWEVER, DELETED FROM THE FIRST ANSWER THE FOLLOWING LANGUAGE THAT WOULD HAVE APPEARED AFTER THE PHRASE "THAT IS APPLIED TO USG POLICY PAPERS:"

QUOTE: THE DEPARTMENT OF STATE AND OTHER U.S. AGENCIES DID NOT APPROVE THE REPORT NOR CLEAR ITS SUBSTANCE. THE DEPARTMENT DOES NOT AGREE WITH ITS CONCLUSIONS. THEY DO NOT GIVE SUFFICIENT CONSIDERATION TO THE FULL RANGE OF ECONOMIC AND FINANCIAL OPTIONS AVAILABLE TO POLAND. ONE, FOR
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INSTANCE, IS THE CAPABILITY TO RESTRAIN IMPORTS. RECENTLY AVAILABLE DATA SHOWS THAT IN LATE 1977 AND SO FAR THIS YEAR POLAND HAS ACTED VERY SUCCESSFULLY TO CUT ITS TRADE DEFICIT.

QUOTE: I WOULD LIKE TO POINT OUT AS AN INDICATION OF USG CONFIDENCE IN THE POLISH CAPABILITY TO DEAL WITH ECONOMIC

ISSUES THE FIVE HUNDRED MILLION DOLLARS OF COMMODITY

CREDIT CORPORATION (CCC) CREDITS WHICH THE UNITED STATES HAS EXTENDED TO POLAND FOR THE CURRENT FISCAL YEAR. THIS IS THE LARGEST AMOUNT EVER AUTHORIZED FOR ANY ONE COUNTRY. END QUOTE.

2. WE ARE CONSIDERING FURTHER STEPS TO TRY TO LIMIT THE DAMAGE RELEASE OF THIS REPORT COULD CAUSE. AMONG THEM IS TO SUGGEST THAT YOU HAVE ARTHUR SMITH GIVE A BACKGROUNDER TO THE WESTERN PRESS CORPS THERE, MORE OR LESS ALONG THE LINES OF THE PRESS GUIDANCE BUT AUGMENTED BY WHATEVER ADDITIONAL DETAILS YOU MIGHT FEEL APPROPRIATE.

3. THE COMMERCE DEPARTMENT IS CONCERNED ABOUT THE REACTION OF THE AMERICAN BANKING COMMUNITY--NOT TO MENTION THAT IN WESTERN EUROPE. WE HAVE REJECTED THE IDEA OF HAVING A HIGH-LEVEL USG OFFICIAL ISSUE A REASSURING STATEMENT, BECAUSE THIS COULD UNNECESSARILY CALL ATTENTION TO THE ISSUE. THE INCLINATION TO REJECT THIS APPROACH HAS BEEN REINFORCED BY POLISH DCM PAWLISZEWSKI'S HOPE EXPRESSED TO ME THAT THE ISSUE WILL DIE QUICKLY AND QUIETLY (SEE SEPTTEL).

4. SO FAR, THE STORY HAS NOT DEVELOPED MUCH STEAM HERE, SO WE ARE INCLINED TO SIT TIGHT FOR THE MOMENT. ONE
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MOVE STILL UNDER CONSIDERATION, THOUGH, IS TO HAVE A SENIOR COMMERCE OFFICIAL, SAY ALLEN LENZ OR KEMPTON JENKINS, WRITE TO KEY U.S. BANKERS TO PUT THE CIA REPORT IN PERSPECTIVE. ALTHOUGH COMMERCE WAS INITIALLY KEEN ON THIS IDEA, IT HAS DECIDED TO WAIT TO SEE HOW THE MOOD IN THE BANKING COMMUNITY DEVELOPS.

5. WE WILL KEEP YOU POSTED. IN THE MEANTIME, LET US KNOW HOW IT LOOKS FROM THERE AND SEND IN ANY THOUGHTS YOU HAVE ON HOW WE CAN DEAL WITH THIS. CHRISTOPHER

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 25 aug 1978
Decaption Date: 20 Mar 2014
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE217327
Document Source: CORE
Document Unique ID: 00
Drafter: JSEYMOUR
Enclosure: n/a
Executive Order: X3
Errors: N/A
Expiration:
Film Number: D780349-0619
Format: TEL
From: STATE
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780821/aaaaarqy.tel
Line Count: 104
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: ae42755b-c288-dd11-92da-001cc4696bcc
Office: ORIGIN EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: ONLY
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: ONLY
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 25 feb 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1615349
Secure: OPEN
Status: NATIVE
Subject: OFFICIAL-INFORMAL
TAGS: OGEN
To: WARSAW
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/ae42755b-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014